4/30/85 U1880-3A

Georgia State University

a unit of the university system of georgia

university plaza
atlanta, georgia 30303

college of business administration
economic forecasting project
404/658-3282

MONTHLY PROJECTIONS
April 1985

Dr. Donald Ratajczak, Director
For Release: April 23, 1985

GASOLINE PRICES, REFUND DELAYS, AND OHIO DISCOURAGE CONSUMER

Normally, the economy would show a rather robust rebound in March from the weather-induced weakness in economic activity during February. In fact, construction spending rebounding smartly. Housing starts grew by more than 16%, while a surge of more than 10% in housing permits suggests that more than 1.9 million starts will be achieved in the second quarter.

However, the consumer sharply reduced spending activity in March. Some of this spending reduction was the result of a shift toward mild weather in March following unusually cold weather conditions in earlier months. This caused the consumption of utility services to fall, leading to a surprising lack of growth in the service component in the March outlays. More significant growth in service expenditures can be anticipated in the months ahead. However, spending also was surprisingly weak for automobiles and most nondurables. Part of this spending warriness certainly reflects the delay in distributing tax refund checks. The slump in purchases of nondurables almost certainly was intensified by the absence of timely refund receipts.

Nevertheless, not all the sluggishness in consumer activity can be related to tax refund problems. The decline in automobile purchases appears to reflect consumer uncertainty about automobile prices now that Japan has announced a significant increase in shipments to the United States. Until more Japanese automobiles arrive and the consumer can see what the impact of these shipments will have upon automobile availability and pricing, sales are expected to be more sluggish than normally would develop in the current economic environment. Thus, the automobile component could remain sluggish through the second quarter.

Production rebounded slightly in March to make up for weather delays that occurred in February. However, consumers left many goods on the shelves, causing a significant rebound in inventories. Indeed, the first quarter estimates of GNP probably will be revised upward when inventory dated for March are more complete. (Certainly, GNP rising only 1.3% at the same time that industrial production increased 1.2% and hours worked in the private economy expanded 2.4% strongly suggests that the preliminary numbers are underestimating economic strength. Otherwise, the service and construction industries would

appear to be growing no more rapidly than goods production, a condition that certainly does not hold.) With this buildup of inventories, production gains will remain relatively sluggish through the first part of the second quarter. However, refund checks should begin flowing to households at the end of April and in May. Because seasonal factors will not be anticipating the increase activity resulting from this improved household income, seasonally adjusted gains in consumer activity will appear to be relatively robust. Thus, a rebound in economic activity during the second quarter appears to be almost certain.

The refund problem also has distored monetary aggregates. Normally, checkable deposits rise sharply in March and early April as those receiving refunds wonder what they should do with this income. Because of the IRS computer problems, however, the rebound in checkable deposits will occur later. Thus, the money stock should grow relatively vigorously during the latter part of April and in May. Unless the Federal Reserve accommodates this growth and provides ample reserves to meet an anticipated rebound in loan activity later in the second quarter, interest rates will tend to rise.

The Federal Reserve currently is concerned about the sluggish nature of the economy. A week ago the Central Bank aggressively supplied reserves, leading some commentators to believe that the Federal Reserve had eased. More recently, however, some draining activity by the Federal Reserve suggests that the magnitude of ease was not substantial. Indeed, although conditions currently are favorable for a decline in the prime rate, conditions soon will shift toward an environment where the Federal Reserve will be debating whether some tightening activity is necessary. In the first place, the dollar has fundamentally peaked and is beginning to decline in a fundamental and long-term fashion. We anticipate that another 10% reduction in the value of the dollar will be achieved during the second half of 1985. This will have minimal impact upon inflation and the trade deficit in 1985, but it will be a factor in generating inflationary pressures and in improving the current manufacturing imbalance during 1986.

Second, increasing economic activity, as revealed by anticipated rebounds in many indicators during April and May should reduce the Federal Reserve concern that a recession is imminent.

Third, a temporary surge in inflationary pressures is beginning to develop as a result of gasoline prices. Indeed, these price increases already may have added to the apprehension of consumers. As a result, the CPI is expected to grow nearly 5% at annual rates during the second quarter. The major cause for this inflationary pressure is the significant discrepancy that developed between product prices of petroleum and crude petroleum prices during the fall. Basically, the refiners and distributors are trying to build back profit margins that erroded during that earlier period. As Saudia Arabia apparently is sharply reducing is export of petroleum and as a harsh winter has significantly reduced the inventories of petroleum products, these attempts to enhance profit margins appear to be sticking.

Fourth, the surge in checkable deposits almost certainly will cause most monetary aggregates to move above Federal Reserve targets even when compared with the tunnel technique. Thus, the four major determinants of Federal Reserve policy all will be pointing toward less ease before the end of the second quarter.

Finally, even with an upward revision in GNP in later reports, productivity has declined signficantly in the first quarter. In the preliminary report, unit

labor cost in the private economy rebounded by more than 6%. Although some of this rapid increase in labor cost is being offset by declining interest charges, there has been further errosion in corporate profitability. Thus, many stock market analysts are rapidly reducing their estimates of earning potential for major issues on the stock market. This suggests that the stock market can only hold its own during the time that interest rates are falling and will be forced to retreat when interest rates begin to rise. The 1300 barrier on the Dow Jones index is certainly formidable and probably will not be breeched in the next two years.

Quarterly Profile of GNP

	1984-4	1985-1	1985-2	1985-3	1985-4	1986-1
Real:	4.3	1.3	4.1	4.8	2.1	1.9
Price:	2.8	5.3	3.5	3.5	3.8	4.8
Nominal:	7.1	6.7	7.7	8.4	6.0	6.8

Monthly Statistical Highlights for April 1985

Payroll employment +215,000; index of hours worked +0.3%; household employment +238,000; civilian unemployment rate 7.2%; personal income +0.6%; savings rate 5.7%; personal consumption +1.1%; retail sales +1.7%; auto sales 10.6 million; housing starts +2.3%; housing permits -1.2%; construction expenditures +1.7%; business inventories +0.3%; orders for durable goods +0.5%; orders for nondefense capital goods +1.1%; industrial production +0.4%; CPI +0.3%; PPI +0.4%; consumption deflator +0.4%; leading indicators +0.4%; real GNP +7.4%; M1 +4.3%; M2 +6.8%.

Monthly Statistical Highlights for May 1985

Payroll employment +227,000; index of hours worked +0.3%; household employment +264,000; civilian unemployment rate 7.1%; personal income +0.6%; savings rate 6.1%; personal consumption +0.9%; retail sales +1.2%; auto sales 10.8 million; housing starts +2.6%; housing permits +1.6%; construction expenditures +1.1%; business inventories +0.4%; orders for durable goods +0.7%; orders for nondefense capital goods +2.0%; industrial production +0.4%; CPI +0.3%; PPI +0.2%; consumption deflator +0.3%; leading indicators +0.4%; real GNP +5.9%; M1 +10.7%; M2 +10.0%.

COMMENTARY

Employment - Employment and hours worked rebounded, as expected during March. Indeed, the index of hours worked increased 0.7%, although hours were revised downward for January and February. However, all the strength was in the construction and service sectors. Manufacturing continued to limp along, as confirmed by the 0.3% gain in industrial production reported later in the month. According to initial unemployment claims, the unemployment rate could fall slightly in April as further gains in employment are expected. One of the surprising discrepancies in the March employment statistics, however, was the 70,000 increase in retail trade payrolls. According to retail sales and outlays, actual sales volumes fell significantly in the month. Either the retail component will show some decline in April, or seasonal distortions may have slipped into the spending reports.

The strength in the service economy also is being revealed by greater increases in the hourly earnings index, especially in services, than anticipated. This index is now 3.4% above previous year levels, and has decidedly increased from its year-over-year low point during the fall. Virtually all the acceleration, however, is in the financial and service components.

Personal Income & Outlays - The 0.5% decline in outlays during March confirmed the 1.9% drop in retail sales that was reported earlier. Because of the delays in sending refund checks, nearly $60 billion at annual rates has been added to tax liability for the month of March relative to normal. This accounts for the dramatic drop to 4.0% in the savings rates during February and March. It also may have been a factor in restraining purchases of nondurable goods. If so, when the refunding problem is resolved, a rebound both in savings and in outlays should develop. This is anticipated for April and May.

Personal income still is being adversely affected by declining farm incomes and reductions in interest receipts. Because interest rates have continued to fall, interest earnings should once again fall in April. With farm prices estimated to have declined by more than 2% in April, further declines are expected in that component as well. On the other hand, income gains for nonfarm proprietors are surprisingly strong and appear to be incompatible with the changes in profitability developing at the corporate level. Of course, this may once again indicate that the service economy truly is outperforming goods-producing industries, which are unusually heavily weighted in the corporate figures.

Construction - Housing rebounded even more significantly than anticipated. Moreover, housing permits for other than single family homes exceeded 800,000 in March. This suggests that rental units could grow close to 800,000 during the second quarter. It still appears that fears about tax reform are significantly encouraging early construction of rental properties. Declining interest rates should encourage further expansion of single-family activity into the summer months. Although higher interest rates later in the year could impact on single-family sales, it now seems almost certain that more than 1.1 million single-family units will be constructed in 1985.

Construction expenditures are expected to continue growing rapidly in March and April as residential construction and public construction rebounds from weather-induced slowing. Nonresidential construction is expected to continue growing rapidly into the fall. One surprise is the return to price weakness for the construction-cost index. This will be a factor in holding down the GNP deflator during the second quarter.

Business Activity - Inventories almost certainly involuntarily increased during March. This will generate sluggish production activity during the second quarter, although much of the inventory buildup appears to be directly related to imports. Apparently, wholesalers try to increase shipments before the dollar began falling in value. This should lead to a working down of these inventories during the second quarter without significantly impacting domestic production. In fact, trade deficits probably will shrink, leading to a positive contribution from net exports during the second quarter.

The surprising surge in orders for nondefense capital goods should begin to increase shipments of those components in the second quarter. A rebound also is expected in defense shipments, following a surprising reduction in durable defense expenditures in the first quarter.

Prices - Gasoline prices will begin to be reflected in the CPI and PPI component in March and April. The impact will be smaller for the GNP deflator, as composition shifts will be reversing part of the run-up in the deflator that developed in the first quarter.

FINANCIAL MARKETS

Not only has the IRS refund problem reduced consumption and distorted monetary statistics, but it also has reduced the borrowings of the Treasury. In the past month the supply of short-term government debt instruments outstanding have declined. This has contributed to some of the interest rate weakness on short-term instruments. Because the yield curve was unusually steep before this reduced supply of instruments began to develop, the decline in short-term rates is also encouraged decline in long-term rates.

Late in the second quarter the government should sharply increase its borrowing needs. At the same time, the household sector will be accelerating its consumption activity and also will be significantly increasing mortgage holdings. The corporate sector will be offsetting some of this upward pressure on credit markets by liquidating some of the unintended inventory accumulation that developed in March. By the end of the second quarter, however, even corporate borrowings will begin rebounding. Now that the dollar has weakened in value it is unlikely that foreign investors will meet any domestic savings imbalances without significant upward interest rate movements. Thus, conditions still are in place for causing interest rates to move upward late in the second quarter and during the summer months. Much of this increase will be on the short-term debt instruments, but some rebound in long-term rates also is expected. Rates then are expected to plateau late in 1985 and could begin declining early in 1986.

Equity Markets - Although after-tax corporate profits continued to decline during the first quarter, operating profits less tax liability continued to increase. Moreover, declining interest rates should have caused a rebound in equity values. Before the sluggishness of the economy became apparent, such a rebound developed. However, current concerns about corporate earnings has restrained stock market gains. Although one last rally in the stock market is possible during the next month, rising interest rates later in the year along with renewed concerns about economic weakness late in 1985 or early in 1986 should turn equity markets downward. Thus, equity values are expected to decline to current levels during the second half of 1985.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	95154	95157	113.2	113.2	105649	105649	7.3	7.3	161.3	161.3
November	95489	95497	114.0	114.0	105932	105932	7.1	7.1	162.0	162.0
December	95798	95681	114.5	114.6	106273	106273	7.2	7.2	163.0	163.1
January 1985	95936	96045	114.6	114.6	106427	106391	7.4	7.4	163.4	162.8
February	96168	96157	114.8	114.2	106645	106685	7.4	7.3	163.9	163.8
March	96478	96538	115.0	115.0	106848	107119	7.3	7.3	164.3	164.4
April	96711	96753*	115.4	115.3*	107122	107357*	7.3	7.2*	164.8	164.9*
May	96922	96980	115.7	115.6	107583	107621	7.2	7.1	165.3	165.5
June	97100	97272	116.1	115.9	107966	107956	7.1	7.1	165.7	166.0
July	97328	97563	116.3	116.1	108158	108277	7.0	7.0	166.3	166.6
August	97564	97815	116.5	116.4	108346	108551	6.9	6.9	167.0	167.3
September	97827	98024	116.6	116.6	108528	108887	6.9	6.9	167.6	168.0
October	97949	98234	116.8	116.8	108743	109129	6.9	6.9	168.2	168.6
November	98067	98401	116.9	116.9	108936	109318	7.0	6.9	168.7	169.3
December	98185	98526	117.1	117.0	109124	109493	6.9	6.9	169.3	170.0
January 1986	98346	98653	117.2	117.2	109315	109649	6.9	7.0	169.9	170.7
February	98509	98779	117.3	117.3	109489	109804	6.9	7.0	170.8	171.5
March	98678	98736	117.2	117.2	109576	109797	7.0	7.2	171.8	172.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	3.082	3.079	1.831	1.831	178.9	171.6	2.636	2.633	2.458	2.462
November	3.102	3.098	1.845	1.847	169.2	164.9	2.651	2.646	2.482	2.481
December	3.118	3.112	1.863	1.865	150.5	152.5	2.661	2.655	2.511	2.502
January 1985	3.132	3.129	1.870	1.873	150.6	151.2	2.678	2.671	2.528	2.520
February	3.146	3.140	1.881	1.881	159.4	106.4	2.696	2.650	2.537	2.543
March	3.161	3.156	1.892	1.895	166.0	105.5	2.711	2.637	2.545	2.531
April	3.175	3.175*	1.903	1.906*	156.8	154.9*	2.719	2.713*	2.562	2.558*
May	3.189	3.194	1.913	1.918	152.4	166.7	2.730	2.747	2.578	2.580
June	3.204	3.210	1.924	1.930	146.3	162.6	2.741	2.760	2.595	2.597
July	3.224	3.229	1.935	1.940	147.5	145.5	2.757	2.760	2.609	2.615
August	3.245	3.250	1.945	1.953	152.2	146.9	2.774	2.776	2.622	2.629
September	3.265	3.272	1.956	1.965	156.6	150.9	2.791	2.793	2.635	2.642
October	3.280	3.289	1.965	1.975	150.7	144.5	2.800	2.804	2.649	2.660
November	3.296	3.307	1.974	1.985	146.5	145.1	2.812	2.817	2.666	2.672
December	3.311	3.324	1.983	1.996	147.4	150.8	2.831	2.834	2.684	2.683
January 1986	3.322	3.334	1.993	2.007	146.3	145.0	2.844	2.845	2.698	2.700
February	3.340	3.351	2.004	2.018	149.2	152.2	2.864	2.867	2.715	2.715
March	3.359	3.369	2.014	2.026	159.7	150.3	2.883	2.879	2.723	2.729

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	2374.2	2378.1	318.1	318.1	862.6	862.6	1193.5	1197.4	1065.1	1067.0
November	2396.9	2395.9	322.8	324.3	869.1	864.6	1204.9	1206.9	1074.7	1074.3
December	2424.9	2415.5	333.4	336.4	884.5	872.2	1207.1	1206.9	1088.8	1085.0
January 1985	2439.3	2432.3	332.5	331.7	886.3	875.2	1220.5	1225.4	1091.4	1085.9
February	2450.1	2454.6	333.2	337.9	888.5	882.3	1228.4	1234.4	1092.3	1093.3
March	2457.1	2441.5	334.0	329.6	887.4	876.3	1235.7	1235.6	1091.6	1083.7*
April	2473.1	2467.3*	335.8	333.7*	893.7	889.9*	1243.6	1243.7*	1096.7	1091.3
May	2487.8	2488.6	337.5	339.5	897.2	897.6	1253.1	1251.5	1101.8	1097.9
June	2501.9	2504.7	339.2	341.5	900.1	901.5	1262.6	1261.7	1106.1	1100.9
July	2515.5	2520.7	341.6	341.4	904.6	907.3	1269.3	1272.0	1108.6	1104.2
August	2529.4	2534.3	342.5	342.4	909.0	911.5	1277.9	1280.4	1110.4	1106.8
September	2538.8	2546.3	338.9	340.3	913.4	915.5	1286.5	1290.5	1110.6	1108.1
October	2552.9	2562.6	343.7	342.6	915.6	921.3	1293.6	1298.7	1113.3	1111.8
November	2571.5	2573.9	347.8	341.4	920.5	924.9	1303.2	1307.6	1117.1	1112.5
December	2584.7	2584.2	346.5	338.7	925.4	929.0	1312.8	1316.5	1118.4	1112.2
January 1986	2599.4	2599.9	347.2	340.4	930.6	934.6	1321.6	1324.9	1120.4	1114.6
February	2614.9	2613.7	348.5	341.4	936.6	939.0	1329.8	1333.3	1123.7	1115.8
March	2623.9	2626.6	346.2	341.1	939.7	942.8	1338.0	1342.7	1124.2	1116.5

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	108.73	108.73	15.89	15.89	9.7	9.7	70.32	70.32	22.52	22.52
November	110.90	110.40	16.29	16.17	9.8	9.8	71.61	71.24	23.01	22.99
December	110.82	110.04	16.47	16.29	11.0	11.0	71.88	70.97	22.47	22.79
January 1985	112.24	110.97	16.52	16.00	10.7	11.2	72.43	70.35	23.29	24.62
February	112.50	112.74	16.78	16.27	10.6	10.6	72.61	71.42	23.11	25.04
March	112.51	110.54	16.73	16.27	10.6	10.6	72.52	70.23	23.26	24.04
April	113.24	112.46*	16.75	16.45*	10.8	10.6*	73.04	71.63*	23.45	24.38*
May	113.73	113.78	16.79	16.58	10.9	10.8	73.32	72.25	23.62	24.95
June	114.17	114.34	16.93	16.71	10.8	10.8	73.56	72.56	23.68	25.07
July	114.83	114.79	16.96	16.83	10.8	10.7	73.93	73.03	23.94	24.93
August	115.30	115.26	17.14	16.93	10.7	10.7	74.29	73.37	23.87	24.96
September	115.23	115.32	16.84	16.90	10.7	10.6	74.65	73.69	23.74	24.73
October	115.98	116.07	17.49	17.06	10.6	10.6	74.83	74.16	23.66	24.85
November	116.87	116.22	17.91	17.18	10.5	10.5	75.23	74.45	23.73	24.59
December	117.12	116.21	17.91	17.27	10.4	10.3	75.63	74.78	23.58	24.16
January 1986	117.62	116.87	18.10	17.41	10.3	10.3	76.05	75.23	23.47	24.23
February	118.27	117.35	17.99	17.59	10.4	10.3	76.54	75.58	23.74	24.18
March	118.25	117.62	18.29	17.68	10.1	10.2	76.80	75.89	23.16	24.05

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	1.534	1.564	0.963	0.979	1.418	1.436	318.8	312.8	194.7	190.4
November	1.552	1.600	1.001	1.043	1.591	1.613	322.2	308.1	196.4	186.7
December	1.567	1.630	1.040	1.112	1.588	1.627	326.4	307.6	198.3	185.3
January 1985	1.552	1.849	1.026	1.060	1.508	1.676	323.9	316.2	196.3	189.5
February	1.615	1.631	1.062	1.123	1.493	1.636	326.4	320.6	197.6	192.3
March	1.684	1.895	1.107	1.149	1.526	1.814	329.2	326.5*	199.0	195.5*
April	1.741	1.938*	1.139	1.165*	1.584	1.793*	334.0	332.2	201.2	198.6
May	1.859	1.988	1.163	1.196	1.649	1.821	338.3	336.0	202.9	200.2
June	1.935	1.974	1.187	1.213	1.738	1.843	343.7	343.6	205.3	204.3
July	1.926	1.931	1.195	1.205	1.759	1.776	346.2	346.9	206.1	205.4
August	1.908	1.917	1.203	1.209	1.742	1.716	348.4	348.4	206.6	205.5
September	1.761	1.855	1.178	1.179	1.664	1.695	350.5	349.4	207.3	205.4
October	1.754	1.832	1.143	1.168	1.627	1.653	352.7	350.7	207.5	205.6
November	1.738	1.772	1.103	1.127	1.605	1.598	353.5	351.1	207.0	205.0
December	1.722	1.719	1.072	1.098	1.586	1.502	354.0	351.3	206.2	204.2
January 1986	1.738	1.651	1.095	1.073	1.593	1.493	354.3	351.2	205.5	203.2
February	1.692	1.630	1.098	1.067	1.546	1.466	353.8	350.4	204.4	202.1
March	1.640	1.589	1.056	1.046	1.493	1.428	354.0	349.5	203.6	200.7

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	126.8	125.0	56.9	56.7	135.1	131.1
November	130.7	125.7	56.9	56.5	134.6	125.9
December	132.3	128.5	58.0	56.3	136.0	122.7
January 1985	131.7	130.5	57.2	57.3	135.0	128.5
February	133.0	131.7	57.8	56.4	135.6	132.5
March	134.6	133.9*	58.5	57.8*	136.1	134.8*
April	136.2	135.4	58.5	59.2	139.3	137.6
May	137.9	136.7	58.1	59.9	142.3	139.4
June	139.6	138.2	58.9	60.5	145.2	144.9
July	140.3	139.5	59.0	60.9	146.9	146.5
August	141.2	140.3	59.2	61.3	148.0	146.8
September	142.0	141.1	59.4	61.7	149.1	146.6
October	143.5	142.6	59.9	62.2	149.3	145.9
November	144.7	143.5	60.5	62.6	148.3	145.0
December	145.6	144.6	61.2	63.0	147.2	143.7
January 1986	147.0	145.3	61.2	63.3	146.1	142.6
February	147.7	145.9	61.0	63.6	145.1	140.9
March	148.5	146.7	61.5	63.5	144.0	139.3

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	286.4	286.4	96.07	96.07	25.38	25.38	26.54	26.54
November	285.5	285.8	104.04	104.04	27.13	27.13	27.29	27.29
December	286.4	285.4	101.89	101.74	25.75	26.62	27.76	28.68
January 1985	287.2	284.7	103.19	104.99	26.62	23.14	27.56	25.64
February	288.0	285.7	105.66	103.69	27.43	29.50	27.71	26.31
March	289.3	286.3*	105.92	104.63*	27.78	27.42*	27.87	26.82*
April	290.9	287.2	107.16	105.16	27.95	27.73	27.73	27.19
May	292.2	288.5	108.05	105.93	28.04	28.29	27.66	27.43
June	294.2	290.2	107.65	104.82	27.75	28.01	27.58	27.65
July	296.3	292.1	107.21	105.46	27.53	28.07	27.46	27.92
August	298.2	293.9	105.93	105.69	27.26	27.89	27.48	28.13
September	300.3	295.8	105.88	106.23	27.46	27.86	27.45	28.05
October	301.6	297.8	104.29	106.72	26.89	27.85	27.26	28.13
November	303.9	300.0	105.08	106.59	26.98	27.71	27.30	27.95
December	306.5	302.3	108.35	107.12	27.53	27.89	27.35	28.02
January 1986	308.3	304.6	108.52	106.83	27.38	27.70	27.36	27.89
February	310.1	307.0	108.95	105.76	27.26	27.53	27.33	27.71
March	312.2	309.3	108.16	105.62	27.05	27.24	27.35	27.56

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	563.8	563.8	6.35	6.35	164.5	164.4	81.5	81.4
November	564.2	565.0	6.28	6.28	165.2	164.8	81.6	81.4
December	566.4	568.5	6.43	6.62	166.2	165.0	81.9	81.3
January 1985	565.8	574.6	6.58	6.52	167.2	165.2	82.2	81.2
February	569.2	576.9	6.71	6.81	168.1	164.9	82.4	80.8
March	573.2	579.8	6.85	6.89	169.0	165.4*	82.7	80.8*
April	575.9	581.5	6.93	6.95	169.6	166.1*	82.8	80.9*
May	579.3	584.1	6.99	7.03	170.3	166.7	83.0	81.1
June	582.0	587.2	6.96	7.11	171.0	167.2	83.2	81.2
July	585.4	590.7	7.11	7.21	171.3	167.8	83.2	81.3
August	588.8	593.8	7.24	7.17	171.5	168.5	83.1	81.5
September	592.9	598.0	7.37	7.29	171.3	169.1	82.9	81.6
October	595.7	601.0	7.45	7.38	171.0	169.6	82.6	81.7
November	599.3	604.8	7.53	7.53	170.7	169.9	82.3	81.7
December	603.6	608.7	7.48	7.61	170.4	170.2	81.9	81.7
January 1986	607.5	612.4	7.69	7.72	170.4	170.5	81.6	81.8
February	610.1	616.1	7.83	7.93	169.8	170.6	81.3	81.7
March	613.3	620.4	7.98	8.09	169.5	170.3	81.0	81.4

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are expectations.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	314.6	314.6	290.9	291.0	323.2	323.4	225.60	225.75
November	315.3	315.2	292.4	292.0	323.8	323.8	225.95	226.25
December	315.8	316.0	292.7	292.5	323.0	323.0	226.16	226.30
January 1985	316.4	316.6	292.1	292.4	322.3	323.2	226.93	228.23
February	317.1	317.7	292.7	292.1	322.8	322.5	227.81	228.96
March	317.8	319.3	293.2	292.7	323.2	322.6	228.66	229.84
April	318.8	320.4*	293.5	293.9*	324.0	323.9*	229.11	230.43
May	319.9	321.3	294.1	294.6	324.0	325.5	229.38	230.93
June	320.8	322.2	294.7	295.5	324.9	326.5	229.74	321.60
July	321.7	323.3	295.3	296.3	326.1	327.1	230.58	232.29
August	322.9	324.3	295.7	296.9	327.8	328.1	231.59	232.93
September	323.8	325.2	296.4	297.2	328.0	327.8	232.61	233.67
October	325.1	326.2	296.9	298.4	329.6	330.1	233.42	234.30
November	326.5	327.5	297.5	299.4	329.9	330.5	234.17	235.13
December	327.9	328.8	298.3	300.6	329.9	331.3	234.92	236.07
January 1986	329.1	330.1	299.0	301.7	331.1	332.6	235.84	236.98
February	330.4	331.3	299.9	302.9	332.5	334.0	236.78	237.91
March	331.7	332.6	301.0	304.0	333.9	335.4	237.75	238.91

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	222.9	222.9	178.4	178.4	219.6	219.8	241.4	241.3	163.7	164.3
November	223.0	223.0	178.4	178.5	219.2	219.2	242.3	242.3	164.1	165.0
December	222.9	222.6	178.4	178.2	219.2	219.0	242.7	242.4	164.6	166.0
January 1985	223.5	224.0	179.0	178.1	219.0	220.0	243.6	244.2	165.0	166.9
February	224.3	224.5	179.3	179.4	219.4	219.9	244.8	245.1	165.2	166.7
March	225.1	225.3*	179.4	179.9*	219.9	220.6*	245.9	245.5*	165.4	167.0*
April	225.5	226.1	179.7	180.4	220.3	221.4	246.8	246.6	166.0	167.3
May	225.8	226.7	179.8	180.8	220.0	221.9	247.5	247.5	166.7	167.8
June	226.2	227.5	179.7	181.2	220.1	222.4	248.2	248.8	167.4	168.2
July	226.9	228.3	180.1	181.5	220.8	223.0	249.3	249.8	168.0	168.9
August	227.8	229.0	180.7	181.9	221.3	223.5	250.4	250.7	168.6	169.5
September	228.6	229.8	181.3	182.3	221.9	224.1	251.6	251.6	169.1	170.1
October	229.3	230.5	182.0	182.6	222.7	224.7	252.4	252.6	170.0	170.6
November	230.2	231.4	181.5	182.8	223.6	225.4	253.3	253.7	170.8	171.3
December	231.1	232.4	181.5	183.3	224.5	226.2	254.2	254.8	171.7	172.0
January 1986	232.0	233.3	182.1	183.9	225.1	227.0	255.4	255.9	172.4	172.8
February	232.7	234.3	182.8	184.4	225.8	227.9	256.6	257.1	173.1	173.4
March	233.4	235.3	183.5	185.0	226.5	228.8	257.8	258.2	173.9	174.1

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	-8.37	-9.18	164.5	164.0	3721	3724	1649	1650	1.5	0.8
November	-8.94	-9.94	166.6	164.8	3753	3769	1661	1666	1.0	0.6
December	-6.24	-8.20	167.1	164.0	3784	3784	1673	1672	3.2	4.0
January 1985	-7.96	-10.29	168.5	166.4	3812	3814	1680	1671	0.3	2.3
February	-8.83	-11.45	169.8	167.5	3832	3814	1682	1666	-1.6	0.8
March	-9.69	-11.50*	169.9	168.2*	3857	3832	1687	1667	-0.7	-0.2
April	-9.18	-10.76	170.8	168.9	3883	3865	1695	1677	2.7	2.3
May	-8.73	-11.48	171.8	169.5	3903	3891	1702	1685	5.8	5.2
June	-9.47	-11.22	172.1	169.8	3924	3920	1708	1693	6.8	6.3
July	-9.56	-11.73	171.7	170.4	3947	3949	1712	1700	9.2	6.0
August	-9.78	-11.41	171.3	170.8	3969	3973	1714	1706	10.6	5.7
September	-9.89	-10.69	171.4	170.5	3992	3991	1716	1708	11.9	6.0
October	-9.93	-10.55	170.8	170.7	4009	4013	1718	1713	10.9	7.8
November	-9.74	-10.38	171.3	170.3	4030	4031	1727	1714	10.3	8.9
December	-9.30	-11.02	172.9	170.6	4052	4046	1725	1714	10.5	10.2
January 1986	-9.59	-10.82	173.2	170.0	4074	4067	1727	1716	11.6	11.7
February	-9.68	-10.55	173.0	169.7	4093	4086	1729	1717	12.2	11.9
March	-9.78	-10.41	172.6	169.2	4112	4108	1730	1719	12.8	13.0

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	214.4	214.7	545.5	548.4	2317.4	2318.7	9.99	9.99	9.87	9.87
November	216.1	216.1	549.3	553.9	2346.1	2345.9	9.43	9.43	8.81	8.81
December	217.3	217.4	553.9	558.7	2375.3	2371.6	8.38	8.38	8.28	8.28
January 1985	219.0	218.4	557.2	563.0	2393.8	2400.4	8.35	8.35	8.05	8.00
February	220.0	219.3	562.8	569.2	2412.6	2420.6	8.56	8.50	8.43	8.39
March	221.1	222.0	568.3	571.9	2431.2	2427.6	9.07	8.58	8.82	8.90
April	222.8	223.3*	571.7	573.9*	2450.8	2440.9*	9.23	8.21*	9.03	8.06*
May	224.5	224.5	573.6	578.8	2467.4	2460.4	9.20	8.52	8.86	8.17
June	226.1	225.8	575.5	582.6	2484.0	2476.4	9.21	9.13	8.98	8.39
July	227.0	226.6	579.8	583.7	2499.3	2491.3	9.58	9.37	9.27	8.58
August	227.9	227.7	583.2	585.6	2519.4	2508.7	9.96	9.85	9.76	8.92
September	228.8	228.7	587.6	587.8	2539.6	2526.3	9.92	10.02	9.89	9.21
October	230.2	229.8	590.7	591.3	2555.2	2546.5	9.99	10.09	9.72	9.35
November	231.6	231.0	593.6	594.8	2573.5	2566.9	9.95	9.96	9.68	9.32
December	233.0	232.1	596.4	597.7	2592.1	2587.4	9.91	9.92	9.63	9.39
January 1986	234.0	233.4	599.1	601.2	2606.5	2608.1	9.78	9.83	9.49	9.32
February	235.1	234.5	601.4	604.5	2618.4	2627.0	9.63	9.72	9.23	9.17
March	235.9	235.5	602.8	607.4	2630.9	2642.8	9.47	9.65	9.16	9.11

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	12.63	12.63	10.25	10.25	10.12	10.12	10.38	10.38	12.58	12.58
November	12.29	12.29	10.17	10.17	9.03	9.03	9.18	9.18	11.77	11.77
December	12.13	12.13	9.95	9.95	8.44	8.44	8.60	8.60	11.06	11.06
January 1985	12.08	12.08	9.51	9.51	8.02	8.03	8.20	8.14	10.50	10.62
February	11.83	12.13	9.21	9.53	8.43	8.54	8.65	8.69	10.50	10.50
March	11.91	12.56	9.29	9.69*	9.16	8.90	9.32	9.07	10.50	10.50
April	12.06	12.17*	9.47	9.31	9.25	8.26*	9.46	8.53*	10.93	10.50*
May	12.17	12.05	9.58	9.18	9.16	8.53	9.29	8.82	11.12	10.50
June	12.29	12.34	9.69	9.50	9.20	9.02	9.43	9.27	11.25	10.73
July	12.35	12.52	9.76	9.68	9.53	9.38	9.77	9.58	11.38	11.06
August	12.32	12.79	9.73	9.96	9.85	9.94	10.08	10.17	11.75	11.50
September	12.40	12.88	9.81	10.05	9.93	10.15	10.21	10.39	11.75	11.93
October	12.46	12.72	9.97	9.88	9.96	10.11	10.25	10.35	11.75	12.00
November	12.52	12.58	10.04	9.72	9.98	9.78	10.28	9.97	11.75	12.00
December	12.49	12.51	9.99	9.63	9.98	9.85	10.25	10.11	11.75	12.00
January 1986	12.36	12.47	9.86	9.48	9.84	9.89	10.09	10.05	11.75	12.00
February	12.26	12.36	9.69	9.43	9.76	9.76	9.96	9.98	11.75	12.00
March	12.31	12.35	9.70	9.46	9.57	9.71	9.73	9.93	11.75	12.00

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.